

QSL MARKET UPDATE



28 June 2023

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Weekly Market Overview

Indicative ICE 11 Prices

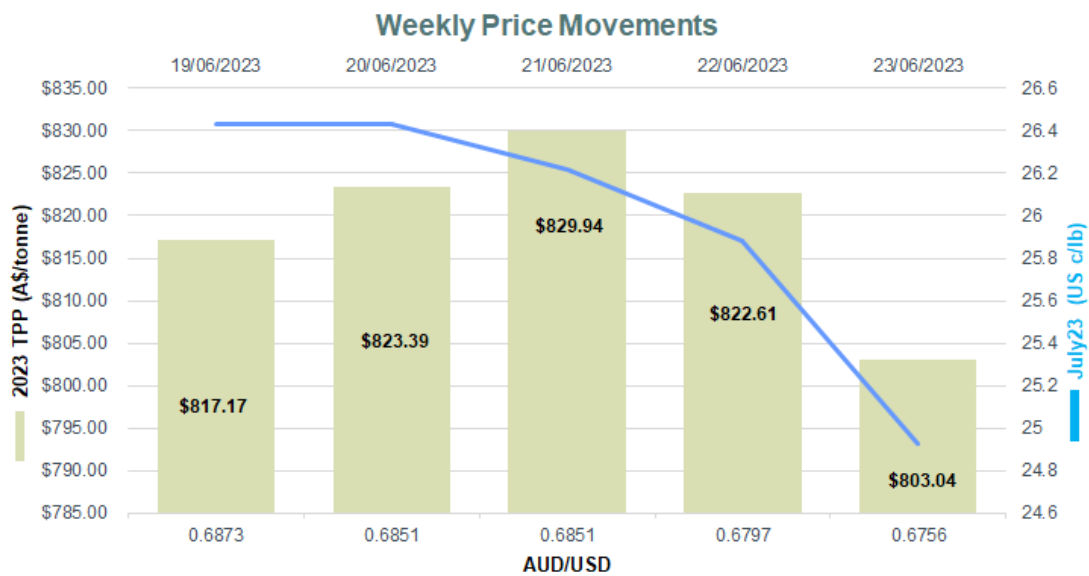
Season	AUD/MT*	Weekly Change
2023	792.74	-2.99%
2024	720.61	+1.79%
2025	644.09	+3.34%
2026	594.91	+3.68%

** These figures are indicative of available ICE 11 prices as at 27 June 2023 and reflect the weighted average AUD/mt price. The prices have been adjusted to include Over-the-Counter margin fees charged by banking institutions and so may differ from daily prices quoted by the ICE 11 Exchange and/or other Marketers of Growers' Economic Interest in Sugar. Values also do not account for any adjustments resulting from local Grower-Miller pricing arrangements.*

Sugar

- **Overview:** ICE 11 raw sugar prices suffered significant losses at the end of last week amid concerns that a significant volume of Brazilian sugar produced from a strong crop would be delivered to the tape with potentially limited receiver (buyer) interest on the July 2023 contract expiry. The July 2023 contract traded from a weekly high of 26.48 USc/lb, down to a low of 24.13 USc/lb.

- **Brazil Harvest:** Harvesting weather was positive overall for Centre-South Brazil (CS Brazil) with no indication yet of any significant delay due to the forecast El Nino weather pattern. Both the Santos and Paranagua shipping ports currently appear to be exporting strong volumes of sugar however, congestion remains reasonably consistent. Fine weather was reported across Centre-South Brazil last week and this was expected to continue for the next 10 days, benefiting the sugarcane harvest. It should be noted however that there is still significant risk of weather delays (based on forecasts) restricting Brazil from producing its maximum sugar supply.
 - **Speculators:** As of 20 June speculators were holding a 208,000 lot net long position, an increase of almost 15,000 contracts since the previous Commitment of Traders report. The October 2023 contract rose 126 points in this weekly reporting period, indicating speculators were very active in driving the recent rally in the ICE 11 market. This number is somewhat irrelevant given the market has dropped almost 200 points since this report. Given the large size of the spec position, it is likely that a large liquidation from the funds was responsible for the weakness in the past three sessions, especially given the softer macroeconomic conditions discussed under the currency section of this report.
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Currency

- Overview:** After a very strong performance the previous week, the Australian dollar (AUD) gave back almost all of its gains and returned to the familiar 66-68 US cent range last week following a reignition of global inflation concerns as well as dovish news from the Reserve Bank of Australia (RBA) minutes. The AUD traded from a high of 68.87 US cents on Monday down to a low of 66.61 US cents on Friday.
- Central Banks:** It was a busy week for global central banks with the Bank of England hiking interest rates by 50 basis points to 5%, Norge (Norwegian) Bank by 50 basis points to 3.75% and the Swiss National Bank by 25 basis points to 1.75%. The global consensus of interest rates needing to go higher to get inflation back under control was worrying for markets with risk currencies such as the Australian dollar, as well as commodities broadly suffering under the pressure.

- **Reserve Bank of Australia (RBA) Minutes:** The AUD retreated after the RBA minutes revealed a less hawkish outlook by removing the words "*...some further tightening may be needed...*" from its minutes relating to the June meeting. This phrase has featured in all minutes since May 2022 and this has given markets confidence that the interest rate tightening cycle is likely reaching its peak. Analysts are now predicting a terminal cash rate of 4.60% in Australia following two more 25 basis point hikes - one in July and one in August.

Jargon Buster

Dovish vs hawkish

Dovish and hawkish are economic terms used to describe the nature of an economy's monetary policy. If dovish language is used, it is indicating that interest rates should be kept low in order to stimulate growth in an economy, while on the other hand hawkish terminology is said to imply interest rates should go higher to restrict growth and inflation.

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